

Message Text

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ACTION EUR-25

INFO OCT-01 ARA-16 IO-14 ISO-00 SWF-02 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00 RSC-01

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OMB-01 AGR-20 L-03 INT-08 NSC-07 SS-20 DRC-01 /188 W

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R 191722Z AUG 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7361

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY KINGSTON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

OECD PARIS

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E.O. 11652: NA

TAGS: ETRD, EAGR, EC

SUBJECT: PROPOSED EC-ACP ARRANGEMENTS ON STABILIZATION OF EXPORT
RECEIPTS

REF: (A) STATE 174830 (B) USEC BRUSSELS 6197

1. SUMMARY: AS AN INTERIM RESPONSE TO REFTEL A, THE
MISSION IS PROVIDING INFORMATION BASED ON A RECENTLY
OBTAINED COMMISSION DOCUMENT ON THE EXPORT
EARNINGS STABILIZATION SCHEME UNDER CONSIDERATION IN
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THE EC/ACP NEGOTIATIONS. OUR PRELIMINARY ANALYSIS OF

THIS DOCUMENT INDICATES THAT IT FOLLOWS THE GENERAL OUTLINES OF THE COMMISSION PROPOSAL AS SET FORTH IN LAST YEAR'S DOCUMENT (SEC(83) 2043), WITH THE NOTABLE EXCEPTION THAT IT NO LONGER CONTAINS THE SUPPLY OBLIGATIONS DESCRIBED IN PARA 4A OF REFEL A. ALTHOUGH THE PAPER DOES RECOGNIZE SOME EC RESPONSIBILITY FOR STABILITY OF LDC EXPORT EARNINGS, IT REJECTS THE IDEA THAT THE EC CAN HANDLE THIS TASK ALONE. LONG-TERM SOLUTIONS WILL DEPEND UPON THE ENTIRE INTERNATIONAL COMMUNITY. END SUMMARY.

2. THE MISSION HAS OBTAINED AND POUCHED TO EUR/RPE A RECENT COMMISSION DOCUMENT (COM(74) 1060) CON-

TAINING ITS PROPOSAL TO THE COUNCIL IN JULY FOR A MANDATE TO NEGOTIATE AN EXPORT EARNINGS STABILIZATION SCHEME WITH THE ACP COUNTRIES. OUR SOURCE INDICATES THAT ALTHOUGH THIS DOCUMENT DID NOT RECEIVE FINAL ACCEPTANCE BY THE JULY (FOREIGN MINISTERS) COUNCIL, EC MINISTERS PRESENT AT KINGSTON DID USE IT AS THE BASIS FOR THE STABILIZATION SCHEME AGREEMENT WITH THE ACPS CONTAINED IN THE KINGSTON RESOLUTION.

3. AFTER BRIEFLY NOTING THE HISTORY OF THE STABILIZATION SCHEME PROPOSAL AND THE ACP'S POSITION TOWARD IT, THE PAPER EMPHASIZES THE FACT THAT THE EC CANNOT UNILATERALLY DEAL WITH THE PROBLEMS OF INSTABILITY AND INADEQUACY OF DEVELOPING COUNTRIES' EXPORT EARNINGS, PARTICULARLY DURING AN INFLATIONARY PERIOD. IN THESE CIRCUMSTANCES, THE PAPER SAYS, WHILE THE EC SHOULD ATTEMPT TO DEAL WITH THE INSTABILITY PROBLEM THROUGH SOME FORM OF EXPORT EARNINGS STABILIZATIONS MACHINERY, THE LONGER TERM EFFORTS AT SOLUTION MUST BE TAKEN ON A WORLD-WIDE SCALE, THROUGH APPROPRIATE INTERNATIONAL BODIES.

4. THE DOCUMENT NOTES SEVERAL POINTS, CONCERNING THE STABILIZATION MACHINERY, TO BE CONSIDERED IN THE NEGOTIATIONS. THERE WOULD BE A CEILING ON THE FUNDS LIMITED OFFICIAL USE

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INVOLVED (NO FIGURE YET). TWO CRITERIA ARE CITED FOR SELECTING THE PRODUCTS TO BE COVERED.. I FIRST, THE ECONOMY OF THE PRODUCING AND EXPORTING COUNTRY MUST BE QUOTE TO A CONSIDERABLE EXTENT DEPENDENT ON EXPORT EARNINGS FROM THOSE PRODUCTS UNQUOTE.(I.E., 10 PERCENT OF THE TOTAL EXPORT EARNINGS OF AN ACP). SECONDLY, EXPORT EARNINGS FROM THOSE PRODUCTS MUST BE SUBJECT TO SHARP FLUCTUATION. SUCH CRITERIA, THE PAPER SAYS, LEAD TO THE SELECTION OF THE FOLLOWING

PRODUCTS: GROUND NUTS, BANANAS, COCOA PRODUCTS, COPRA AND COPRA OIL, AND COTTON. COPPER AND SUGAR ARE CITED BUT WOULD BE DEALT WITH SEPARATELY.

5. THE BALANCE OF THE DOCUMENT CONTAINS A DRAFT DIRECTIVE FOR THE NEGOTIATIONS BASED ON THE ABOVE, BUT ALSO OUTLINING THE OPERATION OF THE SCHEME. THE DIRECTIVE STATES THAT IF, FOR THE PRODUCTS IN QUESTION, THE ACTUAL ANNUAL EXPORT EARNINGS ARE LOWER THAN A REFERENCE VALUE TO BE DEFINED, THE ACP INVOLVED WILL HAVE THE RIGHT TO A FINANCIAL TRANSFER EQUAL TO THE DIFFERENCE BETWEEN THE REFERENCE VALUE, WITH ANY ADJUSTMENTS, AND THE ACTUAL EARNINGS. IMPLEMENTING RULES ARE TO BE NEGOTIATED, PRODUCT BY PRODUCT, BY THE COMMISSION AND THE ACPS CONCERNED. A SAFEGUARD CLAUSE PROVIDES THAT THE COMMISSION, WILL VERIFY THAT VOLUME OR FLOWS OF TRADE HAVE NOT BEEN ARTIFICIALLY MODIFIED TO TRIGGER THE EC GUARANTEE. FINANCIAL TRANSFERS FROM THE EC TO THE ACPS ARISING OUT OF THE ABOVE SCHEME ARE TO BE DEVOTED TO DEVELOPMENT PROGRAMS. LANGUAGE CONTAINED IN THE KINGSTON RESOLUTION ON THE OTHER HAND DOES NOT PROVIDE FOR SPECIAL CONDITIONS CONCERNING THE USE OF THE FUNDS. THE DRAFT DIRECTIVE ALSO DIFFERS FROM THE KINGSTON RESOLUTION IN THAT IT CONTAINS A STATEMENT QUOTE NORMALLY THE TRANSFERS ARE REPAYABLE UNQUOTE. OUR SOURCE INFORMS US THAT THIS LATTER POINT IS QUOTE SENSITIVE BOTH WITHIN THE COMMUNITY AND ON THE ACP SIDE, AND COULD CAUSE PROBLEMS DURING THE NEGOTIATIONS THIS FALL, SINCE IT IS BY NO MEANS CLEAR THAT ALL THE MEMBER STATES HAVE GIVEN UP THE PRINCIPLE OF REPAYMENT.

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6. FINALLY, THE PAPER CONTAINS A TECHNICAL

ANNEX ENTITLED QUOTE STAFF PAPER ON EXPORT EARNINGS STABILIZATION MACHINERY UNQUOTE WHICH PROVIDES THE OPERATIONAL FORMULAE FOR DETERMINING THE REFERENCE VALUES, COEFFICIENTS, ETC., TOGETHER WITH A SEPARATE ANNEX FOR THE NEGOTIATIONS ON SUGAR (REFTEL B).

7. THE MISSION APPRECIATES THE GUIDANCE FOR OUR APPROACHES TO EC CONTACTS CONTAINED IN REFTEL A AND WE ANTICIPATE BEING ABLE TO RESPOND MORE THOROUGHLY TO THE SPECIFIC QUESTIONS WHEN OUR CONTACTS RETURN TO BRUSSELS IN EARLY SEPTEMBER. GREENWALD

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